Australian Government

National Skills Commission

Labour Market Update

June 2022 quarter

Data current as of 2 August 2022

Recent labour market outcomes

Labour market conditions have been strong over the past few months, with growth in both labour demand and supply. Over the 3 months to June 2022:

- total employment rose to a record high;
- the participation rate and the employment-to-population ratio also rose to record highs;
- the unemployment rate fell to its lowest rate since 1974; and
- internet job advertisements have reached their highest level since 2008.

Table 1: Key labour market indicators, June 2022, and change since March 2020

Indicator	Change since March 2020	June 2022
Employment	▲ 4.6%	13,599,300
Monthly hours worked in all jobs	▲ 4.9%	1,855.5 million hours
Labour force	▲ 2.7%	14,093,200
Unemployment rate	▼ 1.7% pts	3.5%
Participation rate	▲ 0.9% pts	66.8%

Source: ABS, *Labour Force, Australia,* June 2022, *seasonally adjusted data.*

As employment continues to increase, the unemployment rate has declined to its lowest rate since 1974

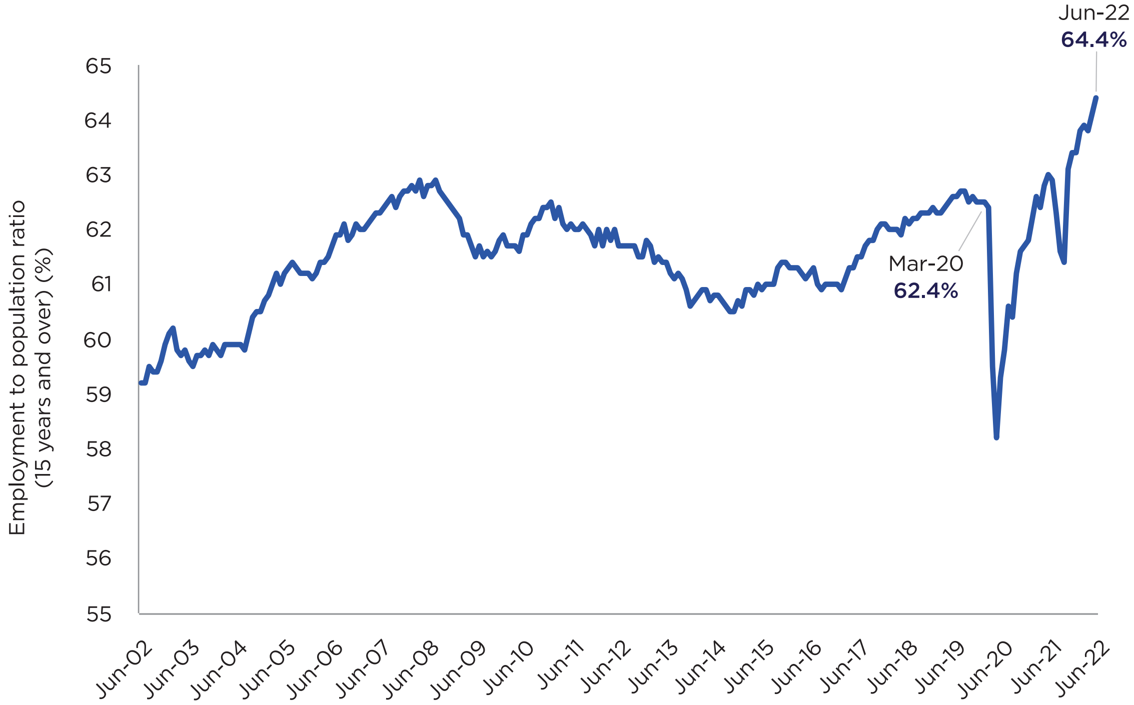
The latest available ABS Labour Force Survey figures show that the level of employment increased by a robust 153,500 (or 1.1%) over the 3 months to June 2022.

- Encouragingly, the rise in employment over the period was due entirely to a strong increase in full-time employment, up by 215,600 (or 2.3%) over the 3 months to June 2022, while part-time employment fell by 62,200 (or 1.5%).

Against a stronger backdrop, the unemployment rate continued to decline, from 3.9% in March 2022, to 3.5% in June 2022, the lowest rate recorded since August 1974 (when it stood at 2.7%). Importantly, the fall in the unemployment rate occurred in conjunction with a 0.3 percentage point increase in the participation rate, which rose to a record high of 66.8% in June 2022, as robust labour market conditions encouraged more people to enter the labour force.

In addition, the employment-to-population ratio (for persons aged 15 and above) also rose, from 63.9% in March 2022, to a record high of 64.4% in June 2022 (see Figure 1).

Figure 1: Employment to population ratio (persons aged 15 years and above), June 2002 to June 2022



Source: ABS, *Labour Force, Australia*, June 2022, *seasonally adjusted data.*

As illustrated in Figure 2, employment increased in four jurisdictions and fell modestly in the other four states and territories over the 3 months to June 2022. New South Wales (up by 81,000 or 1.9%) and Queensland (up by 45,800 or 1.7%) recorded the largest increases in the number of employed people over the period.

Figure 2: Change in employment by state and territory, March 2022 to June 2022

Source: ABS, *Labour Force, Australia*, June 2022, *seasonally adjusted data*.

Unemployment rates were low across all states and territories in June 2022. South Australia and Tasmania recorded the highest unemployment rate of all the states and territories in June 2022 (both at 4.3%), while the Australian Capital Territory recorded the lowest rate (3.1%). The unemployment rates in both Victoria (3.2%) and New South Wales (3.3%) were the lowest rates recorded for each state since the inception of the monthly series in February 1978.

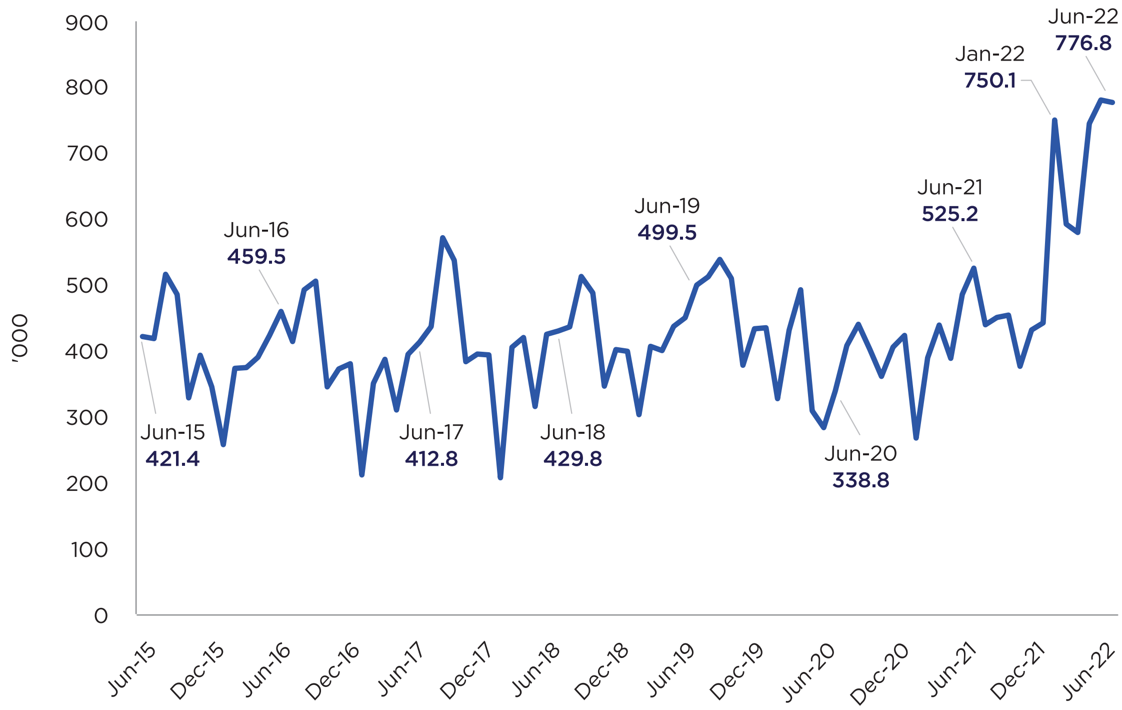
Despite the tightness in the labour market, the most recent wage price index for the March 2022 quarter showed wages growth of just 2.4% through the year. However, the Ministerial Statement on the Economy released by the Treasurer on 28 July 2022 showed that Treasury's forecast for nominal wages growth has been upgraded – from 3¼% to 3¾% – through the year to both June 2023 and June 2024.

Total hours worked were affected by COVID-19 and cases of influenza

While employment has grown strongly in recent months, trends in hours worked have been more volatile. Nationally, the number of monthly hours worked increased by 39.7 million hours (or 2.2%) over the 3 months to June 2022. While the number of monthly hours worked increased in both April and May, it fell by 0.4 million hours in June 2022.

Some of the volatility in hours worked reflects the ongoing disruptions associated with COVID-19 and influenza. The monthly labour force survey shows that the number of people who were employed but worked reduced or zero hours, due to 'own illness or injury or sick leave', has increased significantly, by 197,400 (or 34.1%) over the last 3 months, to stand at 776,800 in June 2022. This is the second highest level on record and well above the average level recorded in June over the previous 7 years (of 441,000).

Figure 3: People who were employed but worked reduced or zero hours due to 'own illness or injury or sick leave', June 2015 to June 2022



Source: ABS, *Labour Force, Australia,* June 2022, *original data.*

Employment growth has varied considerably across skill levels, occupations and industries

The most recent detailed ABS Labour Force Survey data for the May quarter 2022 shows that employment increased in Skill Level 1-4 occupations and declined in only Skill Level 5 occupations[1].

Growth over the quarter was largest in Skill Level 3 occupations (up by 90,500 or 4.7%), followed by Skill Level 4 occupations (up by 56,200 or 1.8%), then Skill Level 2 (47,200 or 2.8%) and Skill Level 1 (32,700 or 0.7%). Skill Level 5 occupations recorded a fall in employment of 14,900, or 0.8%.

This continues a trend evident since February 2020 (i.e. just prior to the onset of the global pandemic) where employment has increased in Skill Level 1-4 occupations and decreased in Skill Level 5 occupations. Skill Level 1 occupations recorded the largest increase, up by 528,100 (or 12.6%) over the period, followed by Skill Level 2 occupations (95,700 or 5.9%) and Skill Level 3 occupations (up by 66,500 or 3.4%). By comparison, employment for Skill Level 5 occupations has fallen by 117,900 (or 5.7%) in the same period.

The shift towards higher skill levels through the COVID-19 period has been an acceleration of a long-term trend as the workforce continues to become more highly educated and employment has transitioned towards services-based industries. Since February 2020, the share of total employment accounted for by Skill Level 1 occupations has increased by 2.4 percentage points to 34.7% in May 2022, while the share of total employment accounted for by Skill Level 5 occupations has fallen by 1.6 percentage points to 14.2%.

At a detailed occupational level, it appears that a number of COVID-19 related impacts and trends are being reversed.

While employment growth has been strong over the last two years, up until the February quarter 2022, less than half of the detailed occupations (175 out of 358, or 48.9%) had employment above their pre-COVID level.

The May quarter 2022 saw a significant reversal of this trend, as occupations that had grown during the COVID-19 period recorded a decrease in employment, in contrast to the strong increase in employment for occupations that had struggled up until the February quarter 2022.

- Indeed, for occupations with employment above pre-COVID levels in February 2022, employment over the May quarter fell by 125,900. For occupations with employment below pre-COVID levels in February 2022, employment over the May quarter increased by 420,700.

In the May quarter 2022, 208 (58.1%) detailed occupations recorded an increase in employment, the largest number since the May quarter 2017.

- The largest increases in employment in the May quarter 2022 were recorded for Electricians (up by 28,900 or 19.6%), followed by Advertising and Marketing Professionals (up by 25,800 or 32.5%) and Retail Managers (up by 22,100 or 10.7%).
- The largest decreases in employment over the quarter were recorded for Human Resource Managers (down by 59,300 or 40.2%), Other Hospitality, Retail and Service Managers (down by 32,700 or 28.6%) and Graphic and Web Designers, and Illustrators (down by 24,600 or 30.5%).

Similarly, the strength in the labour market since the onset of COVID-19 has been uneven across industries.

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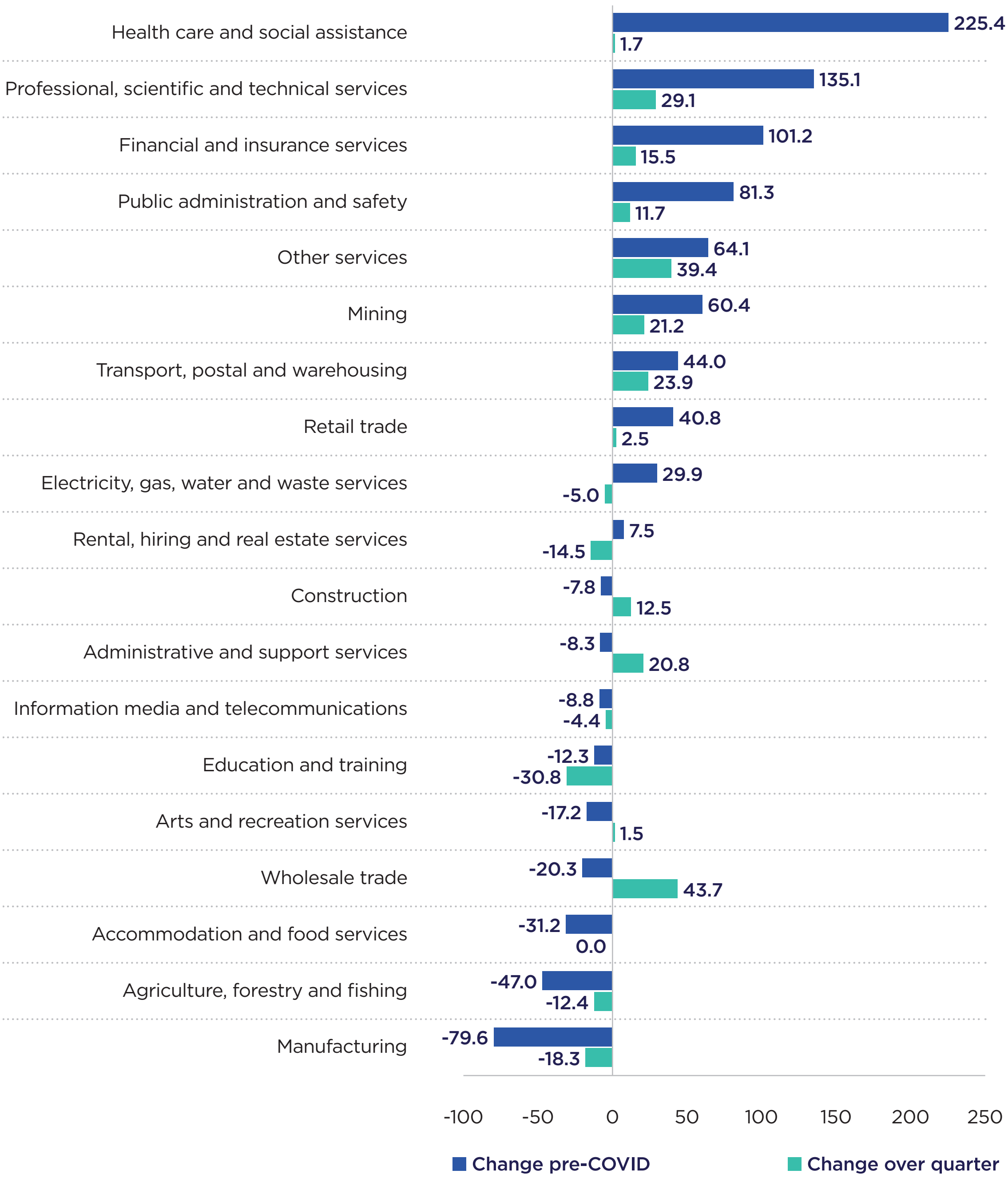
1 Skill Level 1 is commensurate with a Bachelor degree or higher qualification; Skill Level 2 is commensurate with an Advanced Diploma or Diploma; Skill Level 3 is commensurate with a Certificate IV or III (including at least 2 years' on-the-job training); Skill Level 4 is commensurate with a Certificate II or III; Skill Level 5 is commensurate with a Certificate I or secondary education.

Despite employment growth for all industries being 530,100 (or 4.1%) above its pre-COVID level (February quarter 2020), just 10 of the 19 industries recorded an increase in employment over the period (Figure 4). Strong increases in employment since the February quarter 2020 have been recorded in:

- Health Care and Social Assistance (up by 225,400 or 12.6%)
- Professional, Scientific and Technical Services (up by 135,100 or 11.7%)
- Financial and Insurance Services (up by 101,200 or 21.7%)
- Public Administration and Safety (up by 81,300 or 9.8%)
- Other Services (up by 64,100 or 13.1%)
- Mining (up by 60,400 or 24.9%).

Figure 4: Employment growth by industry ('000), February to May 2022



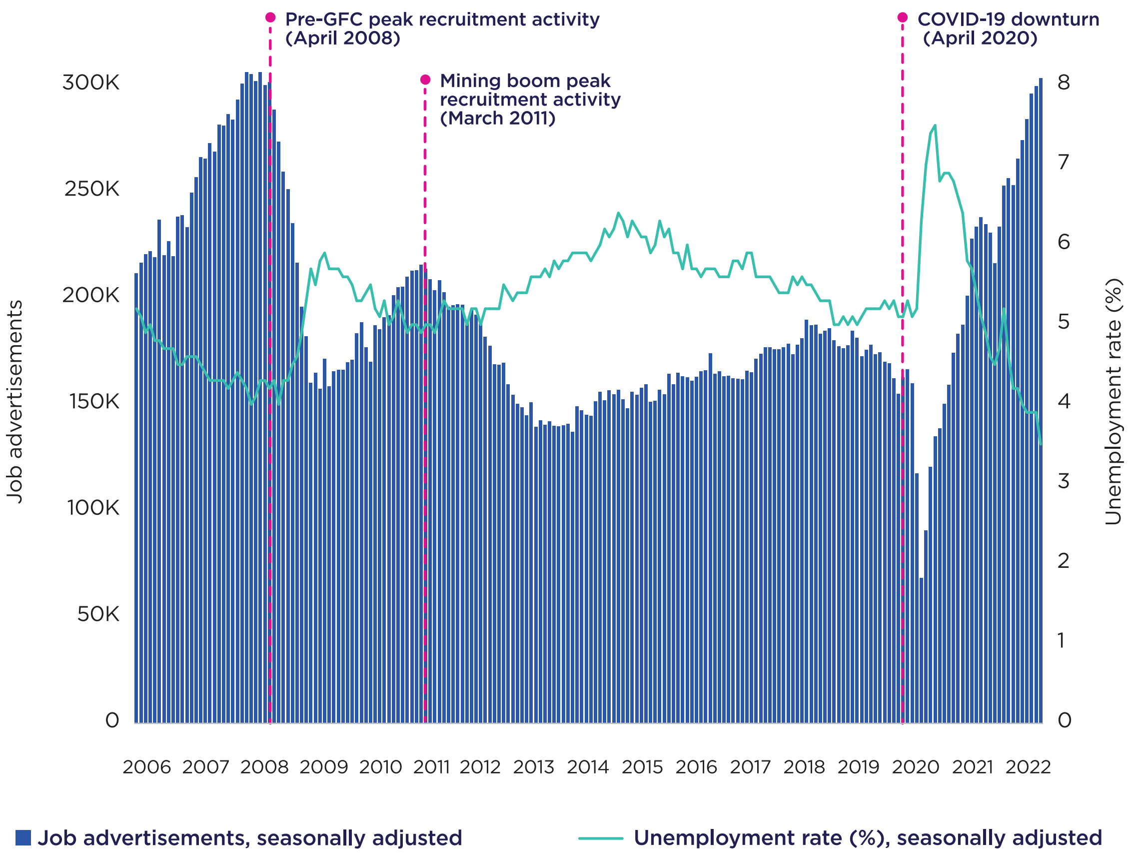
Source: ABS, *Labour Force, Australia, Detailed*, May 2022, *seasonally adjusted data*.

Labour demand - job advertisements have increased, with a larger proportion of employers looking to recruit

The NSC's Internet Vacancy Index (IVI) (Figure 5) shows that job advertisements reached their highest levels since 2008 in June 2022. Job advertisements are up by 80.3% (or 135,200 job advertisements) compared to pre-COVID levels[2].

Recent trends in ABS Job Vacancies data reflect similar movements. The most recent ABS data recorded 480,100 job vacancies in the May 2022 quarter[3], representing an increase of 58,200 job vacancies (or 13.8%) over the quarter. Over the same period (February to May 2022), the IVI recorded an increase of 9.0% in job advertisements.

Figure 5: Internet Vacancy Index job advertisements and unemployment rate, January 2006 to June 2022



Source: NSC, *Internet Vacancy Index*, June 2022 and ABS, *Labour Force, Australia*, June 2022, *seasonally adjusted data*.

2 Pre-COVID-19 job advertisement levels are defined as the 12-month average in the seasonally adjusted IVI series to February 2020.

3 ABS, *Job Vacancies, Australia*, May 2022, seasonally adjusted data.

Recent results from the NSC's Recruitment Experiences and Outlook Survey (REOS) reinforce the strength of labour demand suggested by growth in internet job advertisements.

Figure 6 shows that the proportion of employers recruiting (currently or in the past month) was 58% in June 2022, an increase of 2 percentage points since March 2022. Over this same period the recruitment rate in capital cities (56%) increased by 3 percentage points, while the recruitment rate in rest of state areas (61%) remained steady.

Figure 6: Proportion of employers currently recruiting or who recruited in the past month, June 2020 to June 2022

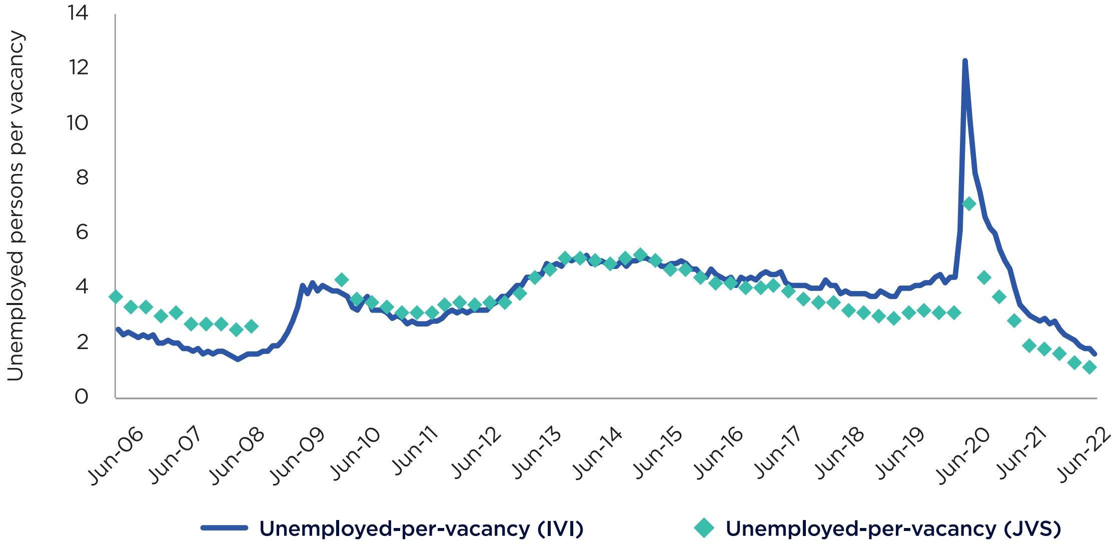
Source: NSC, *Recruitment Experiences and Outlook Survey,* June 2022

Turnover remains the primary reason for employers to recruit, with 61% of employers recruiting for turnover only and a further 12% recruiting for a mix of both turnover and new roles.

Recent months have seen growth in both labour demand and employers' difficulty in filling vacancies

Over 2021 and into 2022, the growth in labour demand, as recorded by IVI and REOS, has also contributed to a reduction in the number of unemployed persons per job vacancy (see Figure 7) and an increase in the proportion of employers who have reported difficulty filling their vacancies.

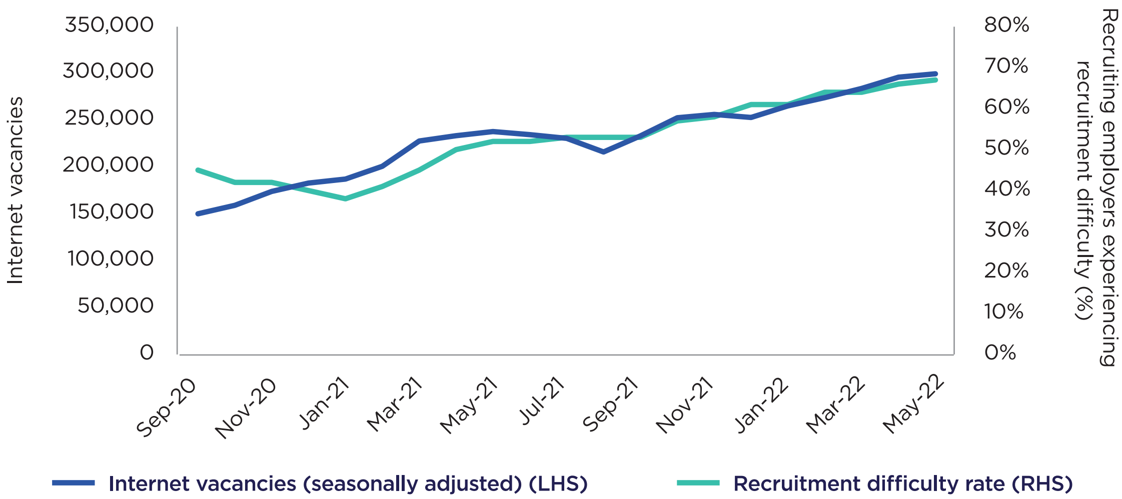
Figure 7: Unemployed persons per job vacancy, June 2006 to June 2022



Source: NSC, *Internet Vacancy Index*, June 2022; ABS, *Labour Force, Australia*, June 2022, ABS, *Job Vacancies, Australia*, May 2022, *all seasonally adjusted data*.

Figure 8 shows that the surge in online job ads in early 2021, and again since August 2021, is reflected in increases in the recruitment difficulty rate during those periods.

Figure 8: Recruitment difficulty (3-month moving average) and IVI job ads (seasonally adjusted), October 2020 to May 2022



Source: NSC, *Recruitment Experiences and Outlook Survey*, June 2022; *Internet Vacancy Index*, June 2022

Recent growth in employment and labour demand continues to shift back towards capital cities, after a period of stronger growth in regional areas

The majority of recruitment activity remains concentrated in capital cities, despite job advertisement growth in regional areas of 95.8% compared with pre-COVID levels outpacing capital cities (60.6% compared with pre-COVID levels). June 2022 IVI data show that 74.8% of all job advertisements were recorded in capital cities.

As illustrated in Table 2, growth in both employment and job advertisements was stronger in regional areas than in capital cities between March 2020 and December 2021. Over the past 6 months, however, growth rates have been stronger in capital cities.

- Over the 3 months to June 2022, employment in the capital cities increased by 1.8%, compared with a rise of just 0.6% in the rest-of-state areas. Notwithstanding the fact that job advertisements in original terms tend to fall in April and June of each year, rest-of-state areas recorded a slightly larger fall (of 1.4%) in job advertisements in the 3 months to June 2022, than capital cities, which recorded a decline of 1.0%. .

Table 2: Growth in employment and internet job vacancies – March 2020 to June 2022

	Employment growth		Change in internet job advertisements	
	Capital cities	Rest-of-state areas	Capital cities	Rest-of-state areas
March 2020 to December 2021	0.4%	1.7%	47.5%	80.8%
December 2021 to June 2022	3.6%	1.3%	18.3%	12.9%
March 2022 to June 2022	1.8%	0.6%	-1.0%	-1.4%

Source: ABS, *Labour Force, Australia, Detailed*, June 2022, 6-month averages of *original* data; NSC, *Internet Vacancy Index*, June 2022, 3-month averages of *original* data.

Figure 9 shows that recruitment difficulty (for recruiting employers) has increased further over the most recent quarter. The recruitment difficulty rate increased to a peak of 68% in May 2022, before easing slightly to 67% (representing 39% of total employers) in June 2022.

Figure 9: Difficulty by region type (as a proportion of recruiting employers), August 2020 to June 2022

Source: NSC, *Recruitment Experiences and Outlook Survey*, June 2022.
Please note: Disaggregated recruitment difficulty data was not publishable in January 2022; hence data points from December 2021 to February 2022 by region type have been joined by a dotted line.

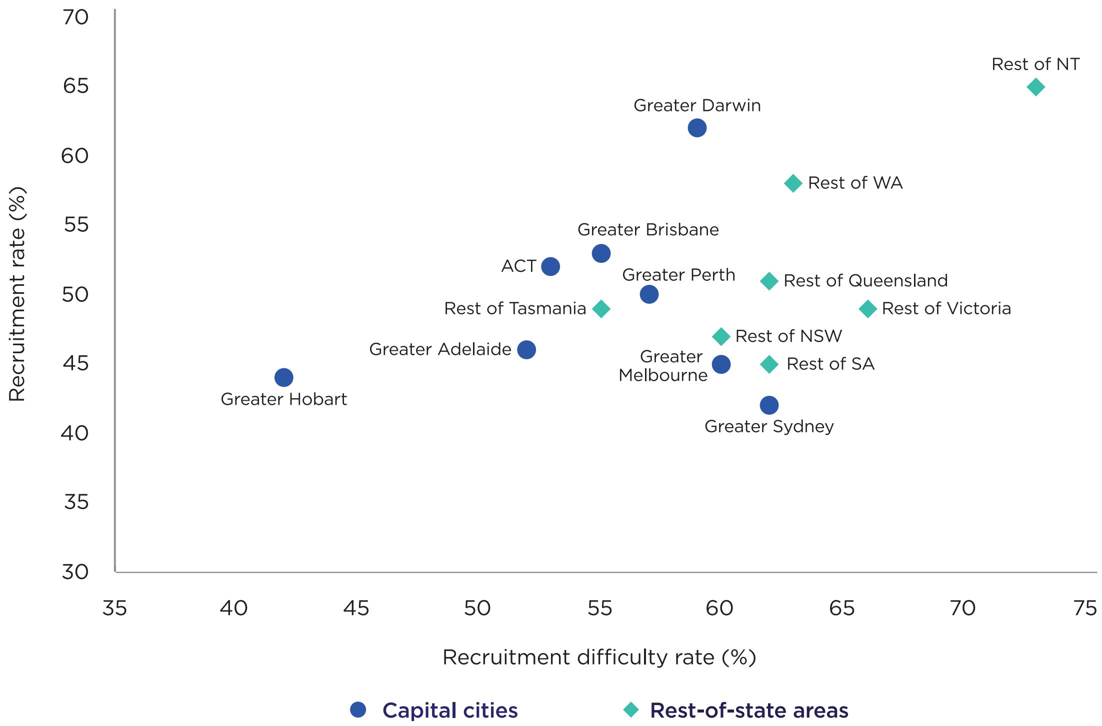
Figure 10 shows that 2020 marked the first time that employers in rest-of-state areas experienced more difficulty than those in capital cities since records began. However, with lockdowns having eased and activity in the major cities picking up, recruitment difficulty in the capital cities has increased to the same level as that experienced in regional areas over 2022 to date. And in both cases, the rate of recruitment difficulty over 2022 has (to date) exceeded that seen in prior years.

Figure 10: Proportion of recruiting employers who experienced difficulty with their most recent recruitment, 2016 to 2022

Source: NSC, *Survey of Employers' Recruitment Experiences* (2016-2019), *Recruitment Experiences and Outlook Survey* (2020-2022)
* 2020 data covers the period from August 2020 to December 2020. As a result, it does not reflect recruitment conditions at the height of the restrictions that were put in place in response to the pandemic.
^ 2022 to date covers the period January 2022 to June 2022.

Rates of recruitment and recruitment difficulty vary by individual rest of state and capital city areas. For each region, Figure 11 shows not only the regional variation that we have seen on average over the past 12 months, but also there tends to be a correlation between the share of employers that are recruiting and recruitment difficulty.

Figure 11: Rates of recruitment and recruitment difficulty by region (12 months to June 2022)



Source: NSC, *Recruitment Experiences and Outlook Survey,* 2021 and 2022

It is important to note that recruitment difficulty doesn't necessarily mean that positions go unfilled. Of those employers that cited recruitment difficulty[4]:

- 16% of employers filled vacancies within a month;
- 21% filled vacancies but it took longer than a month;
- 18% had not yet filled vacancies but had been looking for less than a month; and
- 45% had unfilled vacancies for more than a month.

Recent results from the NSC's Survey of Employers who have Recently Advertised (SERA) (Figure 12) also indicate a tightening labour market.

Over the year to May 2022, employers filled a smaller proportion of advertised vacancies (58%) compared to the year to May 2021 (60%). This decline likely underestimates the overall decline in the fill rate as the composition of occupations covered by the SERA has expanded since mid-2021.

The decline in the proportion of vacancies filled was widespread across most occupations. The vacancy fill rate declined for 51 out of 63 six-digit ANZSCO occupations surveyed in both 2020-21 and 2021-22[5]. On average across these occupations, the fill rate declined by 13 percentage points from 61% to 48%.

4 Based on REOS data collected from May 2021 to June 2022.

5 Only includes those occupations with sufficient sample sizes across both periods.

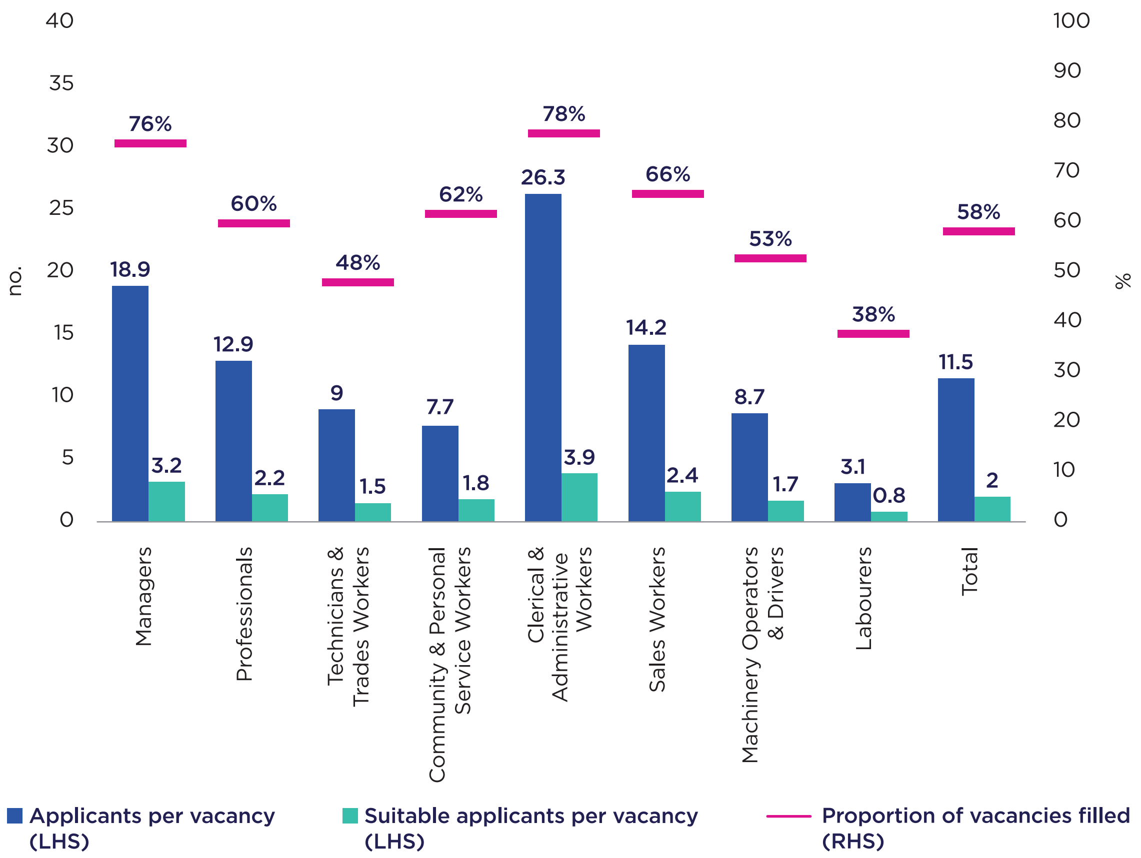
SERA results also indicate that employers are attracting smaller numbers of applicants. In the year to May 2022, employers:

- attracted fewer applicants (11.5 per vacancy, compared with 12.7 over the year to May 2021); and
- considered fewer applicants to be suitable (2.0 applicants per vacancy, compared with 2.8 over the year to May 2021) with respect to the qualifications, skills and experience they had to do the job.

These results are consistent with a recent SEEK employment report[6] highlighting declines in candidate applications per job advertisement.

By major occupation group, employers had the most difficulty filling vacancies for Labourers (38% filled in the year to May 2022), noting that this only covers selected Construction and Mining Labourer occupations. Employers also experienced difficulty filling vacancies for Technicians and Trades Workers (48% filled), with recruitment of Automotive and Engineering Trades Workers (34%) and Construction Trades Workers particularly problematic (41%).

Figure 12: Proportion of vacancies filled (%), average number of applicants and suitable applicants per vacancy (no.), year to May 2022, Major Groups 1 to 8



Source: NSC, *Survey of Employers who have Recently Advertised*, May 2022

Employer feedback suggests that a key barrier to filling vacancies appears to be a lack of experience; lack of a specific qualification/registration, or not possessing the specific technical skills required; or performing poorly during the application or interview process. This is consistent with SERA data, indicating that more than 60% of all qualified applicants (applicants with a bachelor degree or Certificate III/IV) were considered unsuitable.

6 SEEK employment report, May 2022

Overall labour demand and recruitment difficulty remain highest for the higher skill levels

Some of the recent trends in the percentage growth (or in some cases, decline) of IVI job advertisements should be viewed in the context of overall job advertisement volumes and employment growth.

For example, the percentage of growth in job advertisements is lowest for Skill Level 1 (up by 57.5%) and highest for Skill Level 5 (up by 149.1%), compared to before the pandemic. However, as Table 3 highlights, the number of Skill Level 1 job advertisements far outweighs the other skill levels (making up just over one-third of all advertisements).

Table 3: Internet Vacancy Index job vacancies by Skill Level – June 2022

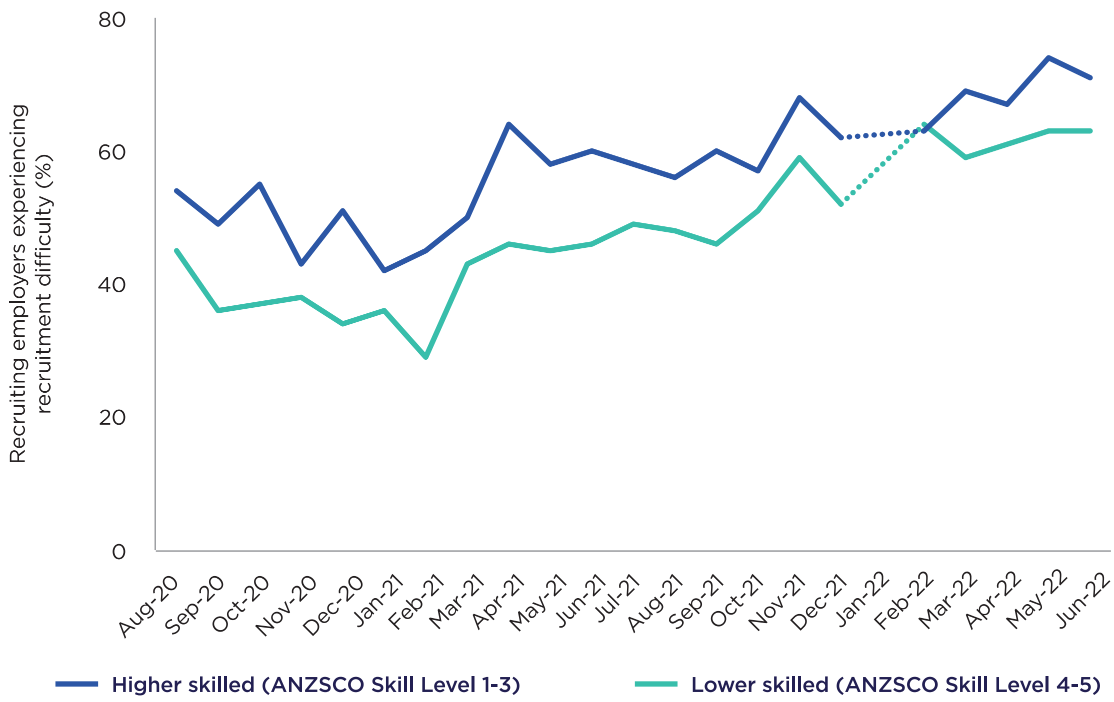
	Monthly change (%)	Monthly change (no.)	Pre-COVID change (%)	Pre-COVID change (no.)	Number of job adverts
Skill Level 1 - Bachelor degree or higher	1.9%	2,000	57.5%	38,700	106,000
Skill Level 2 - Advanced Diploma or Diploma	2.6%	840	71.0%	13,600	32,600
Skill Level 3 - Certificate IV or III* (Skilled VET)	1.6%	670	83.4%	19,900	43,700
Skill Level 4 - Certificate II or III	1.6%	1,300	96.8%	40,200	81,700
Skill Level 5 - Certificate I or secondary education	1.7%	680	149.1%	24,700	41,300
Australia	1.2%	3,700	80.3%	135,200	303,400

The skill level of an occupation is based on the level of educational attainment/experience normally required to work in the occupation according to the Australian and New Zealand Standard Classification of Occupations (ANZSCO). *Includes at least two years of on-the-job training.

Source: NSC, *Internet Vacancy Index*, June 2022

Figure 13 shows that higher-skilled occupations also remain more difficult to recruit for compared with lower-skilled occupations, with difficulty rates for recruiting employers of 71% (for Skill Level 1 to 3 occupations) and 63% (for Skill Level 4 and 5 occupations) respectively in June 2022.

Figure 13: Difficulty by skill level of occupation (as a proportion of recruiting employers), August 2020 to June 2022



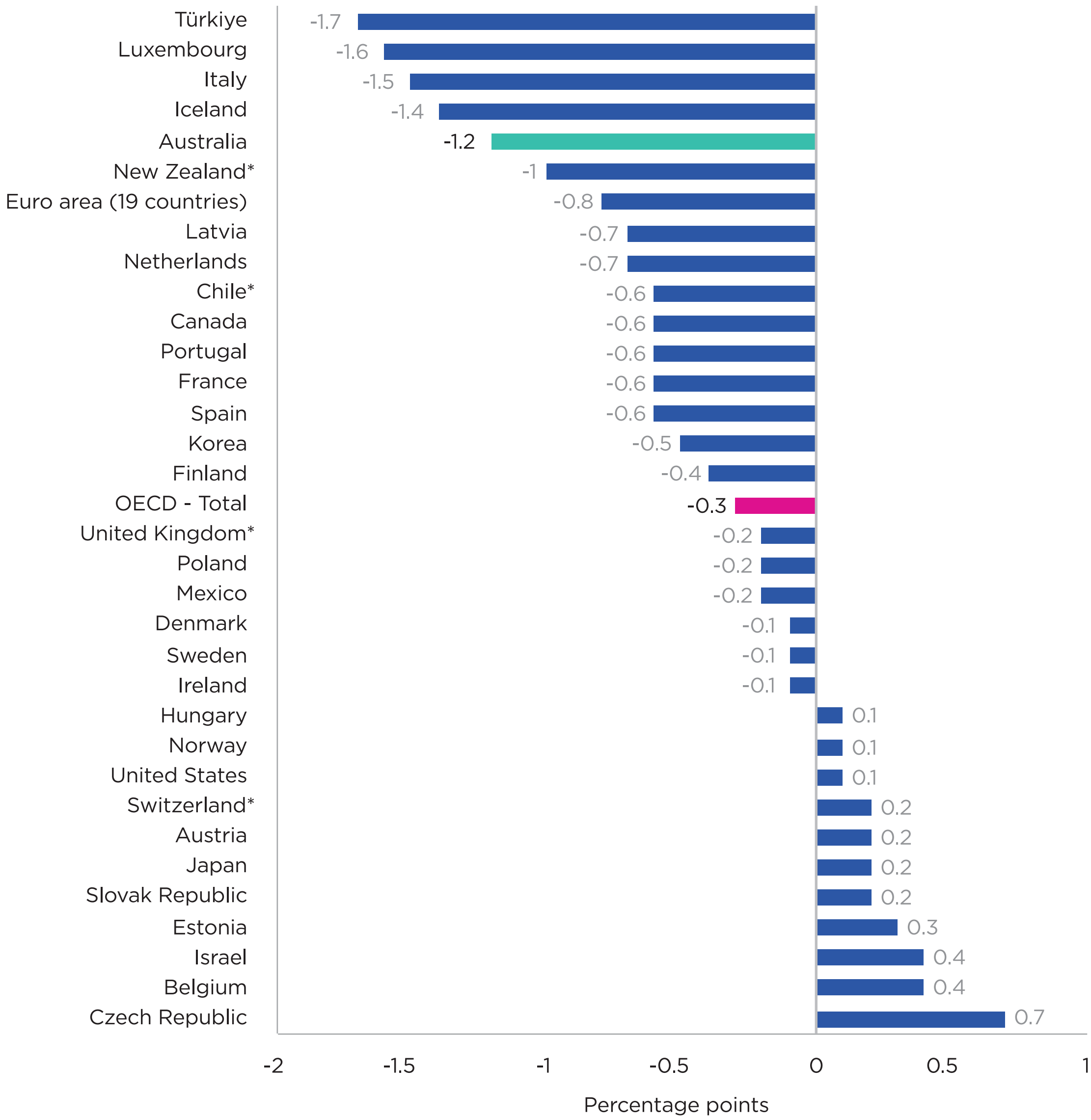
Source: NSC, *Recruitment Experiences and Outlook Survey*, June 2022.
Please note: Disaggregated recruitment difficulty data was not publishable in January 2022; hence data points from December 2021 to February 2022 have been joined by a dotted line.

Labour markets are similarly tight in many other countries

Recent OECD data points toward similarly tight labour markets in many other countries, highlighting increasing global challenges for employers in finding workers with the required skills.

Figure 14 shows that while two-thirds of OECD nations currently have an unemployment rate that is below the level recorded in February 2020 (prior to the COVID-19 pandemic), Australia's unemployment rate decline is among the larger.

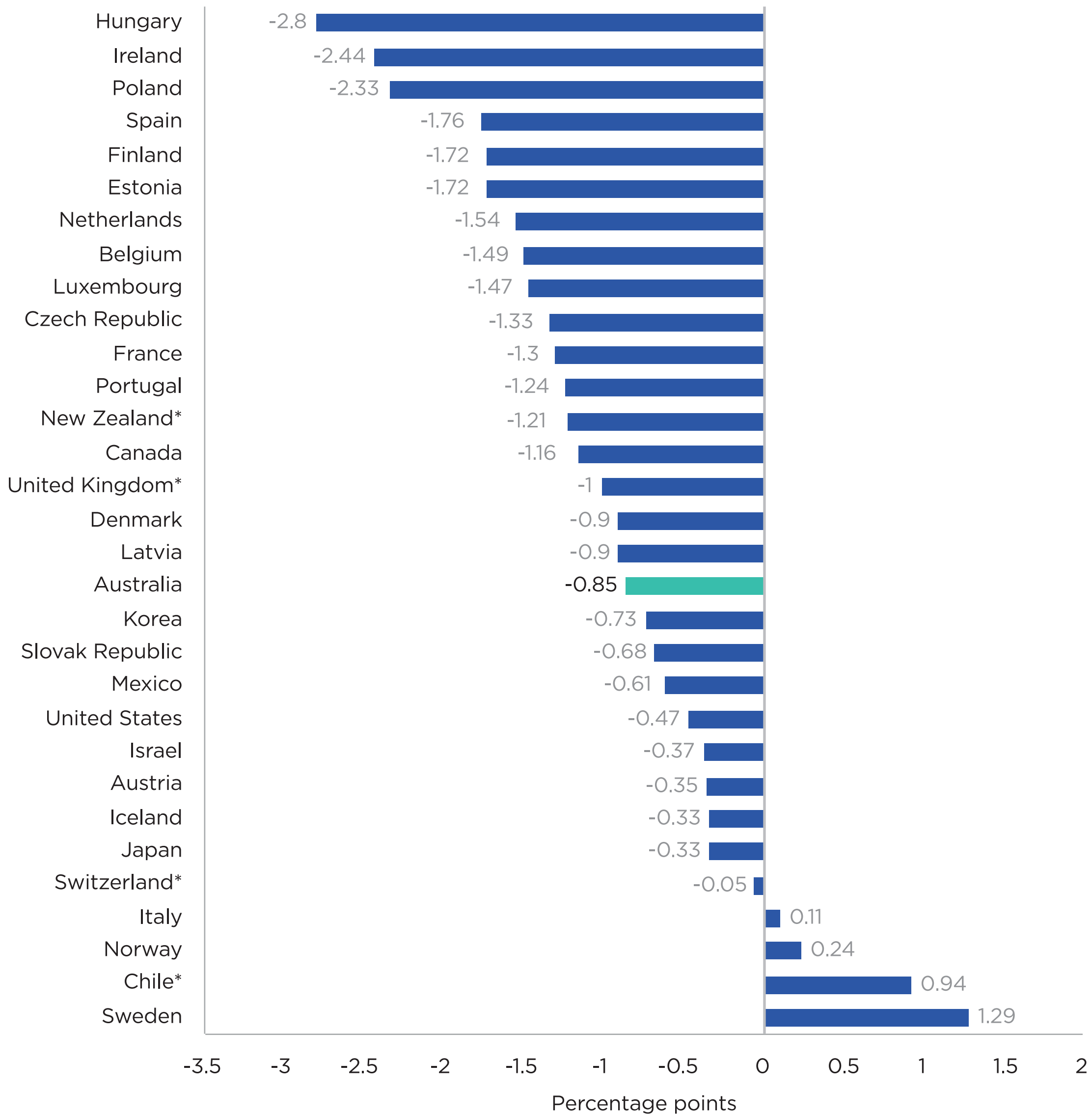
Figure 14: Changes in Unemployment Rates - OECD countries, February 2020 to May 2022 (percentage points)



Source: OECD, *Unemployment Rates News Release*, March 2022.
* Data for Chile and the UK presented for February 2020 and March 2022, and for New Zealand and Switzerland for the first quarter of 2020 and first quarter of 2022.

Reflecting widespread declines in unemployment rates, Figure 15 highlights a significant number of countries, including Australia, where the unemployment rate is currently below the equilibrium unemployment rate[7].

Figure 15: Unemployment Gap (Difference Between Monthly Unemployment Rate and Equilibrium Unemployment Rate – OECD Countries, May 2022 (percentage points)



Source: OECD, 2022.
The OECD equilibrium unemployment rate baseline estimates in this chart use 2020 data.
Please note: Australian results are based on the Australian Commonwealth Treasury ranged estimate (April 2021) of the Non-Accelerating Inflation Rate of Unemployment (NAIRU), rather than the OECD's estimate.
* Data for Chile and the UK presented for April 2022, and for New Zealand and Switzerland for the first quarter of 2022.

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7 The long-term equilibrium unemployment rate corresponds to a long-term steady state, once the Non-Accelerating Inflation Rate of Unemployment (NAIRU) has fully adjusted to all supply and policy influences, including those having long-lasting effects. The OECD notes that because of difficulties in identifying the effects of individual long-lasting supply influences, the long-term equilibrium rate of unemployment is harder to estimate than the NAIRU. They also note that while it is important for structural policies, the long-term equilibrium rate may be of limited relevance to macro policy, especially if the complete adjustment of the NAIRU towards the long-run equilibrium is very protracted.

The Quarterly Labour Market Update is prepared by the National Skills Commission's Labour Market Research and Analysis Branch.

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Australian Government

National **Skills** Commission